An Analytical Study of Tax Collection and Settlement under Goods and Services Tax in India

Synopsis

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INTRODUCTION

India has got a well-structured and simplified taxation system, wherein an authoritative segregation has been done among the Central Government, the different State Governments as well as the Local Bodies. The Department of Revenue under the Government of India's Ministry of Finance is solely responsible for the computation of tax. This department levy taxes on individuals or organizations for income, customs duties, service tax and central excise. However, the agriculture-based income taxes are levied by the respective State Governments. Local bodies have got the power to compute and levy taxes on properties and other utility services like drainage, water supply and many others. The past 15 years have witnessed tremendous reformations of the taxation system in India. Apart from the rationalization of the rates of tax, simplification of the different laws of taxation has even been done during this period.

The One Hundred and First Amendment of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 April 2017. The GST is a Value added Tax (VAT) and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and a service by the IGST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage.

Goods and Services Tax (GST) is a comprehensive, multistage, destination-based tax which is very significant in the field of indirect tax reforms in India. It is levied on value added at each stage of sales and purchases in the supply chain throughout the country. GST will mitigate the cascading effect and reduction the overall tax burden on goods and services. With the introduction of GST, the ‘one country one tax’ system has been introduced in India.

The GST Council was formed to recommend some important issues like model of GST Laws, threshold limits, GST rates, etc. It is a recommendatory body, Union Finance Minister as Chairperson, Union minister in charge of finance or revenue as member of GST Council. And also, the minister in charge of finance or taxation or any other minister nominated by each state government as members of GST Council, one of them is chosen as Vice Chairman. The whole GST

system is backed by a strong IT system to provide a uniform interface for tax payers and other stakeholders and shared IT infrastructure between the Centre and State Governments. In this regard, Goods and Services Tax Network (GSTN) has been set up by the Government.

The 15th Financial Commission headed by N. K. Singh was submitted its report the president of India. Key recommendation made by the commission that the states shall get 41% of central tax revenue. Earlier, the fourteenth Finance Commission had recommended 42%.

In India GST is a dual in nature whereby GST is levied by both the Central and State Governments/Union Territories. There are four models of GST Law i.e. CGST, SGST, IGST and UTGST.

The Central GST (CGST) to be levied and collected by the Central Government which subsume of central indirect taxes like service tax, central sales tax, central excise duty, custom duty, counter veiling duties, whereas the State GST (SGST) to be levied and collected by the State Governments which consists of entertainment tax, octroi and luxury tax, entry tax, sales tax or VAT, tax on lottery, betting and gambling. The CGST/SGST is payable on all intra-State supply of goods

Though the Government implements the GST Bill as on 2017, there are certain bottlenecks which need to be taken care of before run smoothly they are:

- What preparations are needed at the level of Central and State Governments for overcoming glitches the GST?
- How the Government machinery make more efficient enough for such kind of changes?
- How the tax-payers are ready for frequent update?
- What will be the impact on the Government's revenue?
- How will the manufacturers, traders and ultimate consumers be affected?
- Will GST help the small entrepreneurs and small traders?
- How to grow GST environment, which is efficient and hassle free?
- How to increases scope of service so that each and every one who avails services within India pay tax?

The concept of Goods and Services Tax (GST) was first introduced by a French tax official during the 1950's. To date, there are 160 countries around the world which have adopted this taxation system, including the members of the European Union and ASEAN countries such as Singapore, Indonesia, Thailand and others. Theoretically, GST is levied on the supply of goods and services at each stage of the supply chain from the supplier up to the retail level of the distribution. Although GST is imposed at each level of the supply chain, the tax element does not become part of the cost of the product because GST paid on the business inputs is claimable. Hence, it does not matter how many stages a particular good or service goes in market.

The main objective of GST implementation in India is to address the weaknesses in the existing taxation policy and also to serve as the key initiative under the Economic Transformation Programmed (ETP). It also serves as a powerful means of revenue collection with the objective of reducing the fiscal deficit. In order to ensure that the GST policies are being implemented effectively, the government of India has formed the Goods and Service tax Council consisting of representatives from Union Finance Minister, Union Minister of State Revenue/Finance and Minister in charge of Finance/ taxation of each state government. The responsibility of the council makes the recommendation on rate of GST, surcharges, Exemption, Model of GST law, Place of Supply rules and special rate of GST, Special provision for North east states or any other matter as decided. The introduction of GST is also part of the government's tax reform programmed which strives to enhance the capability, effectiveness and also transparency of tax administration and management.

In addition, GST is a broad-based consumption tax covering all sectors of the economy i.e. all goods and services made in India, including imports except specific goods and services which are categorized under zero-rated supply or exempt supply orders as determined by the Ministry of Finance and published in the Gazette. The basic fundamental of GST is its self-policing feature which allows businesses to claim their input tax credit by way of automatic deductions in their accounting system. This eases the administrative procedures on the part of businesses and the government. Thus, the government's delivery system will be further enhanced.

REVIEW OF LITERATURE

A literature review is a survey of scholarly sources that provide an overview of a particular topic. The main purpose of reviewing literature is to convey the researcher about the ideas and existing knowledge that have been established on a particular topic. It gives a theoretical base for the research and helps the researcher to determine the nature of present study.

The researcher has gone through many researches, but few of the research have been found to be related on this topic so far. Although number of researches have been found that are somewhat related with the present study. These are as follows:

Garg, Yogesh. (2019) has done a study on "*Impact of GST on the Export of Carpets & Floorings Industry in India"* this paper focuses on the impact of goods & services tax on the exports of Indian carpets & floorings industry. The GST has not only provided full set off for input tax but also abolished the burden of several existing taxes. Attempt to find out the significant impact of GST on the average exports of carpets & floorings industry for pre and post period. Paired t-test analysis is applied on the data using SPSS software and results are derived. It has crucial to find out the potentiality and practicability of the transition from VAT to GST. It has merged wide ranging central & state taxes. It has major or effect on all goods and services except on alcohol for human consumption & petroleum products. It has no significant impact on the exports of carpets and floorings industry in India.

S, Vikram. & A, Heena. (2019) have done a study on "*Goods and Services Tax: Issues and Challenges in India"* the paper focuses on advantages to Indian economy and various problems, issues and challenges in front of GST. These include effect on GDP ratio, competitive advantages, price and consumption benefits and others. GST system is considered as more transparent and improved version of taxation system. But the actual impact and relevance would be known in near future.

Kshetrimayum, R., Et al. (2019) have done a study on "*GST in India- an Analytical study"* the emerging Indian economy cannot remain behind in bring the Indirect Tax reforms for the faster growth of the economy. Systematic monitoring and periodical review so that it should not give any

adverse impact to the whole economy of the country. Many efforts have made to spread the awareness and train the people to make it work smoothly.

P, Silpa. Et al. (2018) have done a study on "An Introduction to E-way Bill: A Game Changer of The Indian Economic System" the study founded that the mechanism of E-way bill has an excellent step taken by the government of India to facilitate transportation of goods, both inter-state and intra-state, avoiding completely the scope for tax evasion. And, if implemented properly it would have the potential to re-structure the entire logistics industry and bring a revolution in the transportation of goods throughout the country. E-SUGAM made the transition to GST E-way bill more consistent. It would result in a more organized and efficient tax system and reduction of tax evasion.

B, Meenakshi., Et al. (2018) have done a study on "*A Study on Customer Perception towards Input Tax Credit in GST with special Reference of Alwar Region"* this paper highlight the procedures and restrictions laid down in these provisions are important to make sure that there is seamless flow of credit in the whole scheme of transition without any misuse. Input credit allows a seller to reduce the tax burden being paid by claiming offset for the taxes already paid on inputs. The implementation of input credit system not executed properly by the government.

F, Lourdunathan. & P, Xavier. (2017) have done a study on "*A study on implementation of goods and services tax (GST) in India: Prospectus and challenges"* this paper highlights the background, prospectus and challenges in implementation of Goods and Services Tax (GST) in India. The GST will bring one nation and one tax market. There has positive impact on various sectors and industry.

Nath, Banamali. (2017) has done a study on *"Goods and Services tax: A milestone in India economy"* this paper highlights GST benefits and impact on Indian economy and its timeline of introduction in India. He suggested that GST can be implementing by taxpayer education or public awareness programmed workshops, training and various seminars on GST conducted in all states by their respective state governments. Ans also Show the impact on small enterprises, fast moving consumer goods, employment sector, I.T sector.

Humbad, E. Prakash. (2017) has done a study on *"GST- Input credit and set off Mechanism in India"* this paper focus on major indirect tax reforms after the independence of India. Under GST

Input tax credit and set off mechanism play a vital role. And set off provisions is helpful to all the dealers and manufacturers.

V, George., Et al. (2016) have done a study on "*Options for Reforming Australia's Goods and Services Tax"* this paper focus on analyses the economics of alternative tax policy scenarios for the purpose of informing the tax debate in Australia. Such analytical framework applies a dynamic computable general equilibrium model of the Australian economy. The analysis indicates that the distortionary impact of the GST could be reduced by either broadening the base, by removing the GST from investment expenditure or a combination of the two.

Ismail, Asmat. (2015) has done a study on "*Comparison between the effect of Goods and Services tax and Wealth tax on low income households: A theoretical study"* this study reviewed related on the effects of GST and wealth tax on low-income households and compiled the necessary arguments in order to make a comparison between the two kinds of taxes. It indicated that wealth tax is preferable to low-income households and boots the economy as compared to GST. This shows that GST is a regressive tax and imposes a burden on end-user consumers of products. It seems to have a negative impact as lower income earners pay more tax than higher income earners. It promotes inflation which reduces the purchasing power of consumers, and raises barriers to upward social mobility for the lower income households. For reducing this inflation gap, implementation of zakat which has positive effect on aggregate demand and spending pattern of low-income households.

Hee, A. Margaret.(2010) has done a study on "*An Assessment of the Introduction of GST in Malaysia and Its implications on the Merchant shipping sector and Maritime supply chain"* the paper concludes that Malaysia has not ready for GST but industry players should however allay their fears and ready to adopt it with an open mindset. GST has not only for advanced countries but also for developing countries; It will gain additional revenue of RM1 billion. Most of the services in shipping industry has zero rated. It implies that the GST system has not in line with Malaysia's New Economic Model, where one of the eight Strategic Reform Initiatives (SRIs) has aim at creating a competitive economy.

RESEARCH GAP

The Researcher came across a number of studies which were related to the various theoretical aspects of Indirect Taxes and the analytical part of the overall revenue collection of India with respect to different countries of the world.

The Researcher did not come across any study which was related to the analytical part of the Goods and Services Tax Revenue Collection and Settlement with reference to the states level of India. Therefore, the researcher under take the present study that is "An Analytical study of Tax Collection and Settlement under Goods and Services Tax in India" for the purpose of the present study.

NEED OF THE STUDY

The Indirect Taxation is a vast topic to study which affects the society as a whole, the Business Enterprises act accordingly to the Taxation System of the country in which they are operating. Goods and Services Tax is one of the sources of revenue to the government which assists in the different welfare activities conducted by them for the society. As far as studies on the Goods and Services Tax are concerned, the number of studies which were conducted with reference to theoretical aspect of GST (Goods and Services Tax).There are no such published studies on the Goods and Services Tax, which analyzing the tax collection and settlement at state level in India, to the best of our knowledge and efforts. Therefore, it is necessary to conduct the comprehensive study to examine the facts which are taken in the study.

OBJECTIVES OF THE STUDY

This study will be conducted to achieve the following objectives:

1. To study the Legal framework of Goods and Services Tax in India.
2. To examine the tax collection under Goods and Services Tax for the period of study 2017-22.
3. To analysis the tax settlement under Goods and Services Tax for the period of study 2017-22.
4. To investigate the challenges and measure in revenue collection and settlement under Goods and Services Tax.

RESEARCH METHODOLOGY

To accomplish the above objectives of the study, the following research methodology will be followed.

- Research Design

  The research design for the study will be descriptive as well as analytical in order to meet out with specific objectives. The study will be restricted to the Indian context.

- Duration of the Study

  To conduct this study the researcher will consider five year that is from 2017 to 2022.

- Data Collection

The study is based on Primary data and Secondary data.

Primary Data:

Primary Data will be collected through questionnaire, in which at least200 respondents (40 Members related to department of GST, 100 respondents related to GST consultant and 60 taxpayers from Uttar Pradesh) will be taken to collect relevant information in assistance to the study. These respondents will include businessman, profession, academicians and people working in the areas.

Secondary Data:

Secondary Data will be collected through various publications of Ministry of Finance, websites, journals, magazines, books, etc.

- TOOLS TO BE USED

For data analysis various statistical tools will be employed with the help of MS Excel, SPSS etc., will be used. As per the research objectives will be used by the researcher.

- HYPOTHESES

Following Research questions and hypothesis will be examined during the course of study.

Ho_1*:* There is no significant affect of tax collection at state level in India under Goods and Services Tax.

H_{o2}*:* There is no significant affect of settlement of tax at state level in India under Goods and Services Tax.

RESEARCHER WILL USE THE FOLLOWING METHODOLOGY TO ACHIEVE THE OBJECTIVES

Table-1 Research Methodology

S.No.	OBJECTIVES	RESEARCH METHODOLOGY
1	To Study the Legal framework of Goods and Services Tax in India.	For achieving this objective, researcher will study the reform, amendment and notification issued by Ministry of Finance during pre and post period of GST through different websites and other related sources.
2	To examine the tax collection under Goods and Services Tax for the period of study 2017-22.	In order to achieve this objective, the tax collection procedure will be study and analysis on the basis of monthly and annually return under GST. The tax buoyancy approach will be used for analyzing the impact of GST on tax revenue.
3	To analysis the tax settlement under Goods and Services Tax for the period of study 2017-22.	In order to achieve this objective, the tax revenue collection and settlement procedure will be study and analysis of monthly and annually settlement during the respective period.
4	To investigate the challenges and measure as regard to revenue collection and settlement under Goods and Services Tax.	To achieve this objective, a questionnaire will be sent to at least 200 respondents i.e. 40 Members related to department of GST, 100 respondents related to GST consultant and 60 taxpayers.

PROPOSED CHAPTER PLAN

Chapter-1 Introduction

Chapter-2 Legal framework of goods and services taxes in India

Chapter-3 Evaluate the growth of tax collection and settlement under GST in India

Chapter-4 Perception of respondent as regard to tax collection and settlement

Chapter-5 Finding, Conclusion and Suggestion

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